

# NEWSLINE

**Savings Plus Program**

**Third Quarter 2000**

## **Savings Plus to Offer New Options in 2001**

The Savings Plus Program (SPP) will kick off the new year in January 2001 with new fund choices and a new third-party administrator. Participants will benefit from these changes in many ways, including improved online services and an even stronger lineup of investment products to build retirement savings.

Full details about the new fund lineup will be mailed to all participants in the Savings Plus Program and posted on the SPP Website. The proposed changes take effect in January.

The new third-party administrator (TPA) will be Nationwide Retirement Solutions, based on the results of a year-long bidding process, called a Request for Proposal, for the TPA contract. The TPA handles all the record-keeping and trustee/custodial functions for the SPP, along with various other operational functions.

Along with the new investment options, SPP will offer a new and improved Self-Directed Account (SDA) through Charles Schwab, beginning in January 2001. The

SDA enables participants to transfer monies from a 401(k) Thrift Plan and/or a 457 Deferred Compensation Plan to a larger variety of mutual funds, individual stocks and bonds that are made available through a brokerage account.

Other changes for 2001 include new annuity payout providers, which are entities that process payments to retired state workers from SPP accounts. To administer this function, SPP has selected Hartford Life Insurance Company, Met Life, Mutual of Omaha, Principal Capital Management, LLC, and Travelers Life Insurance Company.

This is just a preview of the changes you can look forward to in 2001. The Savings Plus Program will send further information to you during the fourth quarter of 2000. Welcome to the New SPP!

The next page outlines SPP's new fund lineup. Some funds have not been finalized as we go to press, so check our Website for updates.

### **Self-Directed Account Holders: Watch Your Mailbox**

Holders of Self-Directed Accounts (SDA) in the SPP can expect to receive a special enrollment kit in the mail this October. These kits explain upcoming changes in the program and request SDA holders to complete and return the forms required to transfer their accounts to the new SDA provider, Charles Schwab.

Schwab is one of the nation's most recognized and respected investment brokerage firms and a leader in providing brokerage options for deferred compensation plans across the U.S. Schwab has committed to handling all current investment options held by current SDA participants in the SPP.

The change to Schwab, effective January 2001, provides new investment tools and resources for SDA holders, including Schwab's Internet trading function. SDA participants will be able to use the Schwab site to conduct research and track their favorite "hot" stock or mutual fund.

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# New Fund Lineup

**Table 1** Current and Future Fund Choices<sup>1</sup>

Current Fund Provider & Name	Future Fund Provider & Name
CalPERS - U.S. Treasury Short-Term Fund	Savings Pool <sup>2</sup>
Vanguard Group - Prime Money Market Fund	Savings Pool <sup>2</sup>
Morley Capital - Insurance Investment Fund Plus	Dwight Asset Management - Guaranteed Insurance Contract
Savings Pool <sup>3</sup>	Savings Pool <sup>2</sup>
CalPERS - U.S. Treasury Intermediate-Term Bond	Vanguard - Total Bond Market Index Fund
Vanguard - Long-Term Corporate Fund	Vanguard - Total Bond Market Index Fund
Vanguard - GNMA Fund	To be determined
Vanguard - Wellington Fund	Hartford - Advisors HLS
Calvert - Social Investment Fund	Domini - Social Equity Fund
T. Rowe Price - Equity Income Fund	Hartford - Stock Fund HLS
T. Rowe Price - Growth & Income Fund	Hartford - Stock Fund HLS
John Hancock - Sovereign Investors Fund	Federated - Stock Trust Institutional Fund
HighMark - Value Momentum Fund	Federated - Stock Trust Institutional Fund
CalPERS - S&P 500 Equity Index Fund	CalPERS - S&P 500 Equity Index Fund
Vanguard - Morgan Growth Fund	Vanguard - U.S. Growth Fund
T. Rowe Price - New Horizons Fund	T. Rowe Price - Mid-Cap Growth Fund
T. Rowe Price - International Stock Fund	Glenmede - Institutional International Equity Fund
Dreyfus Investment Services Corp. - Self-Directed Account	Charles Schwab - Personal Choice Retirement Account

**Table 2** Additional New Fund Categories<sup>1</sup>

Fund Category	Fund Provider & Name
Russell 2000 Index Fund	To be determined
Small Mid-Cap. Value Equity	Accessor - Small to Mid-Cap. Fund
Global Emerging Markets	To be determined
Fixed Annuity Product	Variable Annuity Life Insurance Company (VALIC)
Variable Annuity Product	Hartford Life Insurance Company

<sup>1</sup>Table 1 shows where current investments are proposed to be transferred. Although SPP will automatically transfer funds, participants may elect different investment options once the fund transfer is complete in January. Table 2 lists new investment options where selections have been made, effective January 2001. Complete details will be mailed to participants and posted on the SPP's Website, [www.dpa.ca.gov](http://www.dpa.ca.gov).

<sup>2</sup>City National Bank, The Golden 1 Credit Union, Washington Mutual Bank, and WesCorp Federal Credit Union

<sup>3</sup>The Golden 1 Credit Union and WesCorp Federal Credit Union

# Year-End Review of Your Salary Deferrals

With the end of the 2000 tax year approaching, now is a good time for you to check your contribution total to your 401(k) and/or 457 plans.

Why is this so important? The same federal regulations that enable you to defer part of your salary for investment in a 401(k) Thrift Plan and/or a 457 Deferred Compensation Plan also set limits on the amount you can defer each year. This amount can vary from person to person depending on income and other factors. When an individual contributes more than the maximum amount allowed by law, it results in an over-deferral. The employer refunds the overage as taxable income and assesses a \$50 processing fee.

It is the participant's responsibility to avoid over-deferring. You need to periodically check how much you have contributed to your 401(k) and/or 457 plans to be sure you are on track to end the year within the annual limit. If it appears you will go over the limit, reduce your monthly contribution to a level necessary to avoid over-deferring.

So what is the maximum amount you can defer each year? Generally speaking, the Internal Revenue Code permits the following contributions:

**401(k)** - \$30,000 or 25% of annual compensation, whichever is less, with a current annual cap on employee contributions of \$10,500.

**457** - \$30,000 or 33-1/3% of annual compensation, whichever is

less, with a current annual cap on employee contributions of \$8,000.

If you contribute to both plans during the same tax year, the cap is the lower amount (\$8,000).

## Changing Your Monthly Contribution

It's easy to change your monthly contribution. Go online to [www.drs.dreyfus.com](http://www.drs.dreyfus.com) or call the Voice Response System at (800) 827-5000. Changes must be requested by 1:00 p.m. (Pacific Time) on the last business day of the month for your change to be effective the next pay period.

Example: If you make a change by 1:00 p.m. on November 30, your change will take effect in the December pay period (the paycheck you receive in early January).

Be dollar wise - avoid the financial or tax consequences of over-deferrals.

## Self-Directed Account

*Continued from page 1*

SDAs allow experienced investors to direct a portion of their 401(k) and/or 457 accounts to a separate account they manage on their own. Funds in this self-managed account may be invested in a wide variety of stocks, bonds, and mutual funds.

## Calculating Your Contribution Limit

The Savings Plus Program (SPP) is developing a worksheet to help you compute your maximum annual contribution, or deferral, limit. Look for it to be posted on SPP's Website this fall. If you have questions or concerns, the SPP urges you to talk with a qualified tax advisor, as the SPP cannot provide tax advice. Remember, it is each participant's responsibility to avoid over-deferring.

## Subscribe to DPA E-News

The Department of Personnel Administration (DPA) has launched a new email service just for state employees. Visit [www.dpa.ca.gov](http://www.dpa.ca.gov) to sign up. You'll get special bulletins from Director Marty Morgenstern on Savings Plus Program changes, pay raises, bargaining, and other important news from DPA. Don't be left out of the loop!

## Catch Up Option for 457 Participants

If you are within three years of retirement age, you may be eligible to set aside even more funds in a 457 Deferred Compensation Plan before your separation from State service. Known as “catch up,” this option is available even if you have never before contributed to your plan.

Here’s how it works: If you were eligible to contribute to a 457 plan in past years, but did not contribute the maximum, or contributed less than \$7,500 to a 401(k) Thrift Plan; AND if you are within three years of “normal” retirement age (see table below), you are eligible for catch up. Any tax year since 1979 may be considered an eligible year for catch up purposes as long as you were employed by the State of California on a permanent basis.

If you believe you meet these conditions, complete a *Catch Up Worksheet* (SPP 677, Rev. 12/99) and submit it to the Savings Plus Program. (Forms are available on the DPA Web site at [www.dpa.ca.gov/spp/pubsform/pubsmain.shtm](http://www.dpa.ca.gov/spp/pubsform/pubsmain.shtm).) If your application is approved, you may be able to contribute up to \$15,000 per year to the 457 plan for a maximum of three years.

*You may enroll in catch up only once.* Once you start, you may stop, but you will **not** be permitted to resume catch up. Even if you only participate in catch up for part of a calendar year, that is still considered a full year of catch up.

Deferrals during a catch up year are limited to the lesser of 33-1/3% of compensation or \$8,000 for normal yearly deferrals, *plus* up to \$7,000 per year for catch up deferrals (an annual total of \$15,000), or 80% of your gross pay, whichever is less.

Federal regulations require catch up in years *before* retirement; you cannot participate in catch up during the same calendar year in which you retire. If you do, all deferrals over your plan maximum will be returned to you – minus an over-deferral processing fee.

### “Normal” Retirement Age for Catch Up

Retirement Category	Retirement Formula	Age When Catch Up Contributions Can Begin
Miscellaneous	2% @ 55	52
Safety	2.5 @ 55	52
Peace Officer/Firefighter	3% @ 55	47
Highway Patrol Officer	3% @ 50	47

State of California  
Department of Personnel Administration

**Savings Plus Program**  
1800 15th Street  
Sacramento, CA 95814-6614

### Contact Information

#### Hours

Lobby: 8:00 a.m. - 5:00 p.m.  
VRU: 8:30 a.m. - 4:00 p.m.

#### SPP

**Website:**  
<http://www.dpa.ca.gov>

**Voice Response Unit:**  
(800) 827-5000  
(916) 322-5070 (Sacramento)  
8-492-5070 (CALNET)

**TDD:**  
(916) 327-4266  
8-467-4266 (CALNET)

**FAX:**  
(916) 327-1885  
8-467-1885 (CALNET)

**Email:**  
[saveplus@dpa.ca.gov](mailto:saveplus@dpa.ca.gov)

#### DRS

**Website:**  
<http://www.drs.dreyfus.com>

#### DISC:

**Website:**  
<http://www.disc.mellon.com>

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(800) 293-9936

